

Message Text

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ACTION EB-07

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DEPT PASS EXIMBANK

E.O. 11652: N/A

TAGS: EIND BMEP BPRO EMIN GR

SUBJECT: PRODUCT OPPORTUNITY: SCALISTIRI GROUP SEA WATER
MAGNESITE PROJECT

REF: ATHENS 6030

1. SCALISTIRI GROUP, ONE OF GREECE'S FASTEST GROWING AND MOST IMPORTANT PRIVATE INDUSTRIAL OPERATIONS, FORMALLY ANNOUNCED ON SEPT. 26 ITS \$50 MILLION PROJECT FOR THE MANUFACTURE OF REFRACTORY MAGNESIA FROM SEA WATER AND DOLOMITE. INITIAL ANNUAL PRODUCTION IS ENVISAGED IN 100,000 METRIC TON RANGE, WITH EARLY EXPANSION TO 200,000 METRIC TONS PLANNED.

2. AT RECEPTION FOLLOWING OFFICIAL ANNOUNCEMENT, SCALISTIRI MADE A SPECIAL POINT OF MENTIONING TO ECONOMIC COUNSELOR HIS DISSAPPOINTMENT AT RESULTS OF HIS APPLICATION TO EXIM-FCIA FOR FINAICING OF TWO TO THREE MILLION DOLLAR FEASIBILITY STUDY FOR THE PROJECT (TO BE CARRIED OUT BY FLUOR UTAH). AFTER GENERAL DISCUSSIONS WITH KEY EXIM OFFICIALS, INCLUDING
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CHAIRMAN CASEY, EARLIER THIS YEAR, SCALISTIRI BELIEVED THAT

HIS APPLICATION WOULD BE ACCEPTED ON MUTUALLY SATISFACTORY TERMS. HE HAS RECENTLY LEARNED THAT EXIM-FCIA WILL PARTICIPATE ONLY IF HE PROVIDES LOCAL BANK GUARANTEES. HE COMMENTED THAT BECAUSE OF HIGH COST OF SUCH GUARANTEES IN GREECE (CIRCA 2 PERCENT PER ANNUM), ACCEPTANCE OF THIS CONDITION IS NOT REPEAT NOT FEASIBLE.

3. A U.S. FIRM (FLUOR) WILL CARRY OUT THE FEASIBILITY STUDY EVEN IF SCALISTIRI HAS TO RESORT TO LOCAL FINANCING FOR THIS PART OF THE PROJECT. HOWEVER, SIGNIFICANCE OF FINANCING ISSUE GOES FAR BEYOND FEASIBILITY STUDY, SINCE ACTUAL INSTALLATION OF PLANT WILL INVOLVE OVERSEAS PURCHASES OF \$30 MILLION IN EQUIPMENT. SELECTION OF FLUOR AND HARBISON WALKER FOR FEASIBILITY STUDY AND PROJECT ENGINEERING, RESPECTIVELY, ILLUSTRATE SCALISTIRI'S PREFERENCE FOR AMERICAN TECHNOLOGY. SCALISTIRI EMPHASIZED TO ECONOMIC CONSELOR THE IMPORTANCE OF THE AVAILABILITY OF REASONABLY PRICED FINANCING IN HIS SELECTION OF FOREIGN-MADE EQUIPMENT. HE OBSERVED THAT HE HAD DECIDED IN A SIMILAR INSTANCE NOT LONG AGO TO DROP PLANS FOR PURCHASES IN U.S. WHEN EXIM HAD INSISTED ON LOCAL BANK GUARANTEES, ADDING THAT HE HAD OBTAINED THE EQUIPMENT HE SOUGHT ON MORE FAVORABLE TERMS IN EUROPE INSTEAD.

4. THE WIDE PUBLICITY GIVEN TO THE SEA WATER PLANT WAS THE FIRST LARGE, ENTIRELY GREEK INVESTMENT SINCE THE RETURN OF DEMOCRACY) GIVES AN ADDED DIMENSION TO THIS CASE. THE CASEY VISIT REVITALIZED INTEREST IN EXIMBANK, NOT ONLY IN LOCAL BUSINESS AND BANKING CIRCLES, BUT ALSO AMONG GOG LEADERSHIP. PARTICIPATION BY EXIM IN THIS LARGE AND SIGNIFICANT PROJECT WOULD REAP DIVIDENDS IN POSITIVE PUBLICITY AND IN CONTEXT OF LONG-DISCUSSED U.S. WILLINGNESS TO BE FORTHCOMING TO GREECE'S ECONOMIC AND DEVELOPMENT NEEDS. (GOG INTEREST IN PROJECT WAS UNDERScoreD BY ATTENDANCE OF LARGE GROUP OF HIGH-LEVEL OFFICIALS AT SEPTEMBER 26 RECEPTION, INCLUDING BANK OF GREECE GOVERNOR ZOLOTAS AND MINISTER OF INDUSTRY KONOFAGHOS.)

5. EMBASSY REALIZES THAT EXIM-FCIA MUST, IN FINAL ANALYSIS, LIMITED OFFICIAL USE

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MAKE DECISION ON SCALISTIRI APPLICATION ON BUSINESS BASIS.

HOWEVER, WE BELIEVE THAT AGAINST THE BACKGROUND OF THE CASEY VISIT, SCALISTIRI'S DISCUSSIONS WITH EXIMBANK IN WASHINGTON, AND THE CURRENT POLITICAL/ECONOMIC SITUATION IN GREECE, THE CASE IN QUESTION HAS, BY VIRTUE OF ITS SIZE AND TIMING, TAKEN ON A PARTICULAR SIGNIFICANCE.
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